

MINUTES OF MEETING NO. 356  
BOARD OF TRUSTEES  
KENTUCKY RETIREMENT SYSTEMS  
April 1, 2010 at 9:00 A.M., E.T.  
Board Room  
Perimeter Park West, 1270 Louisville Road  
Frankfort, Kentucky 40601

Item 1

At the Annual Meeting of the Board of Trustees held on April 1, 2010, the following members answered to their names: Randy J. Overstreet, Chair, Jennifer L. Elliott, Bobby D. Henson, Vince Lang, W. Lewis Reynolds III, Susan G. Smith, Christopher B. Tobe, Robert W. Wilcher and Tim Longmeyer, proxy for Nikki Jackson.

In addition, staff members present were Robert M. Burnside, Executive Director, Tracey M. Mulder, Recording Secretary, William A. Thielen, Charlene Haydon, Adam C. Tosh, Schuyler J. Olt, Jennifer A. Jones, Marlane F. Robinson, Todd E. Coleman, Lela Hatter, Becky Stephens, Shauna Miller, Kevin Gaines, Liza Welch, Shawn Sparks, Richard Schultz, Chris Clark, Ann Case, Bo Cracraft, Brent Aldridge, David Peden, Scarlett Consalvi, Connie A. Davis and Joe Morris. Also present were Mary Helen Peter, Kentucky Public Retirees and Ed Davis, Kentucky State Fraternal Order of Police.

Mr. Overstreet advised that Mr. Longmeyer was sitting in for Ms. Jackson. An Attorney General's ruling from Scott White, Assistant Deputy Attorney General, advises that KRS 18A.035(1) provides that the Secretary "...may from time to time designate in writing an employee of the cabinet to act for him in case of his absence or inability from any cause to discharge the powers and duties of his position. In this case, the powers and duties of the secretary shall devolve upon his designee."

Item 2

Mr. Overstreet presented the memorandum "KERS Election." He reviewed the memorandum and advised that KERS membership elected Mr. Bobby D. Henson and Ms. Susan G. Smith to each serve a four year term beginning April 1, 2010.

Mr. Olt advised the Board that Franklin County Circuit Court dismissed the lawsuit challenging the KERS election on the basis of the ballot containing Mr. Henson. At this time he is not aware of any appeal being filed.

It was moved by Mr. Longmeyer, seconded by Mr. Lang and carried by the Board of Trustees to accept the External Auditor's certification letter of the winners of the KERS Board election and declare the election final.

Item 3

Mr. Overstreet presented the memorandum "Oath of Office."

Tracey M. Mulder, Notary Public, administered the Oath of Office to Mr. Henson and Ms. Smith.

Item 4

It was moved by Mr. Reynolds, seconded by Ms. Elliott and carried by the Board of Trustees to approve the Minutes of Meeting number 355 as presented.

Item 5

Mr. Overstreet presented the memorandum "Statement of Bylaws & Election of Officers." Mr. Overstreet advised that the Board must elect a Chair and Vice-Chair.

Mr. Overstreet turned the proceedings over to Mr. Burnside for nominations for Chair of the Board of Trustees.

Mr. Burnside announced that the floor was open for nominations for Chair. Mr. Wilcher nominated Mr. Overstreet to serve as Chair of the Board for the ensuing Board year or until a successor is elected. Mr. Lang seconded the nomination.

It was moved by Mr. Henson, seconded by Mr. Reynolds and carried by the Board of Trustees to cease the nominations for Chair.

There being no discussion, a vote was called for, and Mr. Overstreet was elected Chair of the Board of Trustees of Kentucky Retirement Systems by a majority vote. Mr. Tobe abstained.

Mr. Burnside turned the proceedings over to Mr. Overstreet for nominations for Vice Chair of the Board of Trustees and the remainder of the meeting.

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Mr. Overstreet opened the floor for nominations for Vice Chair.

Mr. Reynolds nominated Mr. Lang to serve as Vice Chair of the Board for the ensuing Board year or until a successor is elected. Mr. Wilcher seconded the nomination.

It was moved by Mr. Henson, seconded by Ms. Smith and carried by the Board of Trustees to cease the nominations for Vice Chair.

There being no discussion, Mr. Overstreet called for a vote, and Mr. Lang was elected Vice Chair of the Board of Trustees of Kentucky Retirement Systems.

Mr. Overstreet advised that in the next several months it may be necessary to create an *ad hoc* Committee or have the Legislative and Budget Committee review the bylaws to determine if changes need to be made. He asked that the members of the Board provide any input they deem necessary.

#### Item 6

Mr. Overstreet presented the memorandum "Employee Service Recognition Awards" and noted that at the annual meeting KRS employees are recognized at five-year intervals for long and distinguished service.

The following employees received their five-year service award:

Bo Cracraft	Equity Assets
Edmond Willayi	Information Technology
Cliff Akers	Information Technology
Alpa Vyas	Internal Audit
Gregory Nix	Membership Support
John Franklin	Membership Support
Odette Gwandi	Membership Support
Darin Deaton	Procurement & Office Services
Margaret Griffin	Retiree Health Care
Michael Kelly	Retiree Services

The following employees received their ten-year service award:

Shannon Cole	Disabilities
Chrystal McChesney	Disabilities
Heather Darnell	Disabilities
Stephenia Bowman	Disabilities
Chris Land	Disabilities
Angela Hawkins	Employer Compliance & Education
Suzanne Elphingstone	Employer Compliance & Education
Jennifer Jones	Legal
Kristi Hammons	Member Services
Francis Gwandi	Member Services
Wade Scalf	Member Services
Christy Franklin	Member Services
Wendi Pierce	Membership Support
Lee Casey	Membership Support
Paul Singleton	Membership Support
Dan Childers	Membership Support
Brian Sharp	Membership Support
Joe Morris	Procurement & Office Services
Lavina Johnson	Retiree Health Care

Jeff Wyatt  
John King Jr.  
Kimberly Leet

Retiree Services  
Retiree Services  
Retiree Services

The following employees received their fifteen-year service award:

Gina Franklin  
Liz Smith  
Angela Marshall  
Terry Ethington  
Shauna Miller  
Sarah Schooler  
Walter Weitzel III  
Donna Casey  
Vicki Hockensmith

Accounting  
Accounting  
Information Technology  
Information Technology  
Member Services  
Member Services  
Membership Support  
Procurement & Office Services  
Retiree Services

The following employees received their twenty-year service award:

Mary Satterly  
Rebecca Mooney  
Charlene Haydon  
Sarah Webb  
Terri Price  
Lela Hatter

Accounting  
Accounting  
Administration  
Employer Compliance & Education  
Member Services  
Retiree Services

The following employee received her twenty-five-year service award:

Laura Miller

Alternative Assets

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Mr. Clark departed. Sarah Webb, KRS, entered the meeting.

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#### Item 7

Mr. Overstreet presented the memorandum "Kentucky Retirement Systems Progress Report for Calendar Year 2009."

Kentucky Retirement Systems consists of thirteen divisions organized under three Chief Officers. The following individuals were in attendance to review the past year's performance and provide strategic plans for the future:

Charlene Haydon, Chief Benefits Officer

Division of Disabilities, Liza Welch, Director  
Division of Field Services, Sarah Webb, Director  
Division of Employment Services, Shauna Miller, Interim Director  
Division of Membership Support, Kevin Gaines, Retirement Program Manager  
Division of Retiree Services, Lela Hatter, Director

Adam Tosh, Chief Investments Officer  
Division of Alternative Assets, Brent Aldridge, Director  
Division of Equity Assets, Bo Cracraft, Director  
Division of Fixed Income Assets, David Peden, Director

Bill Thielen, Chief Operations Officer  
Division of Accounting, Todd Coleman, Controller  
Division of Communications, Scarlett Consalvi, Director  
Division of Planning & Constituent Services, Shawn Sparks, Director

Also present to review was Ann Case, Compliance Officer, Division of Internal Audit

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Ms. Jones, Ms. Hatter, Ms. Stephens, Ms. Miller, Mr. Gaines, Ms. Welch,  
Mr. Cracraft, Mr. Aldridge and Mr. Peden departed.

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#### Item 8

Mr. Overstreet presented the memorandum "HR Committee Report."

Mr. Reynolds reviewed the memorandum. He advised that there are no recommendations at this time, but the Committee discussed the need to make revisions to the current KRS personnel policies. Mr. Reynolds advised that staff will draft changes to be presented to the Board of Trustees at a later date.

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This memorandum was presented for informational purposes only.

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Ms. Robinson departed.

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#### Item 9

Mr. Overstreet presented the memorandum "Legislative Update."

Mr. Burnside advised the Board of retirement related legislation that staff is monitoring. He stated that although a budget has not yet been passed, each version at this point does include the House Bill 1 (HB1) funding schedule. He stated that in the budget bill there are also changes to healthcare benefits, which will impact KRS employees and retirees under 65. He advised that staff would keep the Board posted about any potential changes.

During the discussion of the KRS Housekeeping Bill, HB329, Ms. Smith asked if there was a difference in the language of the current statutes and that of HB329 in reference to things that are informational to the Board and those that are approved by the Board. Mr. Burnside explained that the only change in the language was to clarify that the Investment Committee acts on the full authority of the Board in implementing the policies and investment guidelines of the Board. Mr. Longmeyer did not recall the discussion of the Investment Committee language of HB329 at the previous Legislative and Budget Committee meeting. He asked if the new language shifts the fiduciary liability from the Investment Committee decisions back to the Board of Trustees. Mr. Olt advised that by the technical language in the statute, it appeared that the Investment Committee could act on its own without Board approval. Mr. Longmeyer concurred, however, was concerned because he did not recall the discussion pertaining to this particular language of HB329. Mr. Burnside stated that he thought this had been discussed, however, if the Board was concerned of the language, he would take steps to have HB329 removed from the consent calendar. After additional discussion, Ms. Elliott asked staff to provide a copy of HB329 for review. A copy was distributed and the changes in language were discussed in further detail. Following review of the HB329 language, it was the consensus of the Board that the language changes pertaining to the Investment Committee were necessary.

This memorandum was presented for informational purposes.

#### Item 10

Mr. Overstreet presented the memorandum "Annual Member Statements."

Mr. Burnside led a discussion regarding the possibility of discontinuing the mailing of annual statements to active members effective in 2011. He advised the Board that with the implementation of START Phase 6, active members will have the ability to access their annual statements online. The cost savings were discussed along with the possibility of an option for those that still wish to receive a paper copy of the statement as well as the possibility of an option of receiving the statement by e-mail. It was the consensus of the Board to review the issue further.

This memorandum was presented for informational purposes.

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Ms. Consalvi departed.

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Item 11

Mr. Overstreet presented the memorandum "Committee Appointments."

Mr. Overstreet advised that he will make the committee appointments in the upcoming weeks and provide an updated list of the committee membership upon completion.

This memorandum was presented for informational purposes.

Item 12

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Mr. Overstreet declared the meeting of the Board of Trustees in recess and called to order the meeting of the KRS Perimeter Park West, Inc. (PPW) Shareholder.

At the meeting of the KRS PPW Shareholder, the following matters were addressed:

- The following members of the Board of Trustees were present: Randy J. Overstreet, Jennifer L. Elliott, Bobby D. Henson, Vince Lang, W. Lewis Reynolds III, Susan G. Smith, Christopher B. Tobe, Robert W. Wilcher and Tim Longmeyer, Personnel Cabinet, proxy for Nikki R. Jackson.
- A resolution was adopted to elect Bobby D. Henson, Vince Lang and Robert W. Wilcher to serve as the PPW Board of Directors to serve for a term of one (1) year, or until their successors shall be elected and qualify.

There being no further business, the KRS PPW Shareholder meeting was adjourned.

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Mr. Henson called the meeting of the KRS Perimeter Park West, Inc. (PPW) Board of Directors to order.

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At the meeting of the KRS PPW Board of Directors, the following matters were addressed:

- The following members of the PPW Board of Directors were present: Bobby D. Henson, Vince Lang and Robert W. Wilcher.
- The minutes of the February 1, 2010 PPW Board of Directors meeting were approved.
- Bobby D. Henson was elected to serve as President of the PPW Board of Directors and Robert W. Wilcher was elected to serve as Secretary/Treasurer.
- Approved the proposal from the Chubb Group for renewal of a fiduciary insurance policy for the period from April 16, 2010 through April 15, 2011.
- The acts of KRS PPW agents since the February 1, 2010 KRS PPW Board of Directors meeting were ratified.

There being no further business, the KRS PPW Board of Directors meeting was adjourned.

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At the conclusion of the KRS PPW Board of Directors meeting, Mr. Overstreet called the Board of Trustees meeting back into session.

Mr. Henson and Mr. Thielen provided a report of recent meetings of the Perimeter Park West, Inc. Board of Directors.

It was moved by Mr. Wilcher seconded by Mr. Henson and carried by the Board of Trustees to approve the Perimeter Park West, Inc. (PPW) Board of Directors report.

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Mr. Morris departed.

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#### Item 13

Mr. Overstreet presented the memorandum "Statements of Investment Policy – Pension Funds and Insurance Funds."

Mr. Tosh advised that there are no modifications at this time, but staff is working to draft several revisions to be reviewed with the Investment Committee and presented to the full Board in May.

This memorandum was presented for informational purposes.

#### Item 14

Mr. Overstreet presented the memorandum "Conflict of Interest Statement."

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Pursuant to the KRS Conflict of Interest and Confidentiality Policy, Conflict of Interest Statements were distributed to Board members for completion.

This memorandum was presented for informational purposes.

#### Item 15

Mr. Overstreet presented the memorandum "Fiduciary Issues Report."

Mr. Olt reviewed the memorandum and attached documents.

This memorandum was presented for informational purposes.



Item 16

Mr. Overstreet presented the memorandum "Contracts Update."

Mr. Thielen provided an update on the status of the contracts approved at the February Board meeting. He advised the Board that the contract with Cavanaugh Macdonald for actuarial services has been renewed for a one-year period, and the fiduciary liability policy with Chubb has been issued and paid. Mr. Thielen reported that the contract with LR Wechsler, Ltd. will be continued through the current year. The principal representative assigned to KRS recently retired and his replacement will only work part-time through the implementation of Phase 6 of the START project resulting in a reduction of expenses.

This memorandum was presented for informational purposes only.

Item 17

Mr. Overstreet presented the memorandum "Retiree Health Plan Committee Report."

Mr. Henson and Mr. Schultz reviewed the memorandum. Mr. Schultz provided an overview of the changes to the Medicare eligible drug formulary for plan year 2011 that were approved by the Committee at the special called meeting held on March 15, 2010. Mr. Schultz advised the Board that since the date of the meeting, the federal health care reform bill has been approved and he discussed an overview of the potential impact of the bill to KRS. Mr. Schultz distributed a flow chart reflecting the data exchange between various agencies and KRS as a result of participation in the Employer Group Waiver Plan (EGWP).

It was moved by Mr. Reynolds, seconded by Ms. Elliott and approved by the Board of Trustees to ratify the action of the Retiree Health Plan Committee with respect to approving the changes to the Medicare eligible drug formulary for plan year 2011.

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It was moved by Mr. Henson, seconded by Ms. Elliott and carried by the Board of Trustees to enter into "Closed Session" for the purposes of discussing litigation pursuant to KRS 61.810(1)(c) because of the necessity of protecting the confidentiality of the Systems' litigation strategy and preserving any available attorney-client privilege.

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Mr. Coleman, Mr. Sparks, Mr. Schultz, Ms. Davis, Ms. Case,  
Ms. Peter and Mr. Davis departed.

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Mr. Overstreet declared the meeting re-open to the public and returned to "Open Session" after discussion of litigation in "Closed Session" under the provisions of KRS 61.810(1)(c), with no action being taken in "Closed Session."

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Item 18

Mr. Overstreet presented the memorandum "Pending Litigation."

Pending litigation was reviewed in closed session with no action being taken.

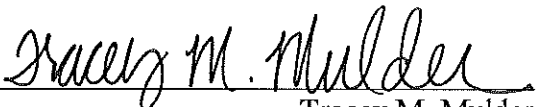
This memorandum was presented for informational purposes.

Item 19

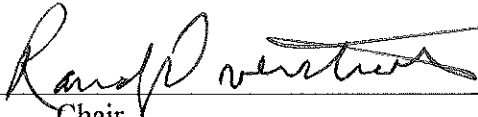
There being no further business, the meeting was adjourned at 1:07 P.M., E.T., to meet on May 20, 2010 at 9:00 A.M., E.T., or upon the call of the Chair, Executive Director, or at the request of five members of the Board.

CERTIFICATION

I, Tracey M. Mulder, do certify that I was present at this meeting and that I have recorded above the action of the Board on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805 through 61.850 were met in connection with this meeting. Finally, I certify that the Minutes and supporting materials have been forwarded to each member of the Board and have been included in the permanent records of the Board.

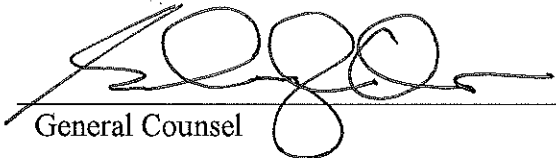
  
Tracey M. Mulder  
Recording Secretary

We, the Chair and the Executive Director of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of Meeting No. 356 were approved by the Board on May 20, 2010.

Signed:   
Chair

Signed:   
Executive Director

I, Schuyler J. Olt, have reviewed the Minutes of Meeting No. 356 for form, content and legality.

  
General Counsel